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## MEMORANDUM

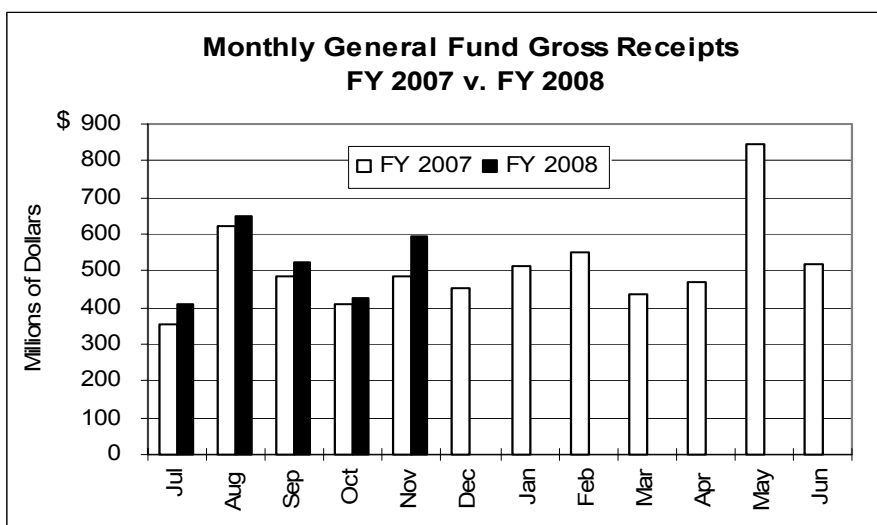
TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: December 3, 2007

### Monthly General Fund Receipts through November 30, 2007

The attached spreadsheet presents year-to-date FY 2008 General Fund receipts with comparable figures for actual FY 2007. The figures can be compared to the FY 2008 estimate of \$6.525 billion set by the Revenue Estimating Conference (REC) on October 9, 2007. The FY 2008 estimate is an increase of \$387.1 million (6.3%) compared to actual FY 2007 gross cash receipts (excludes refunds, transfers, and accrued revenue adjustments). The next REC meeting is scheduled for December 11, 2007.



### FY 2008 Compared to FY 2007

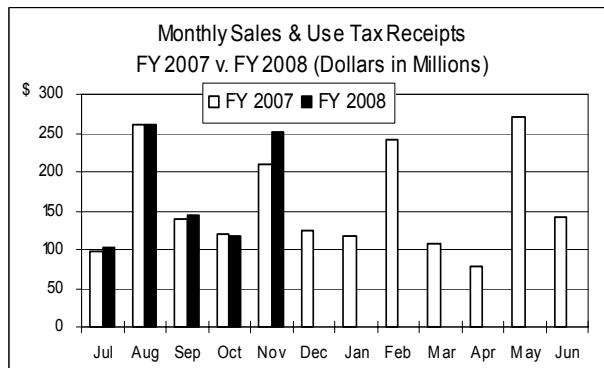
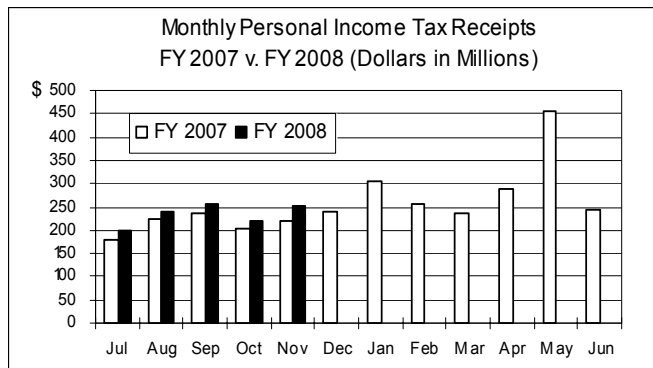
Fiscal year to date total gross cash receipts increased \$250.8 million (10.7%) compared to FY 2007. Major revenue sources contributing to the change include:

- Personal income tax (positive \$101.7 million, 9.5%)
- Sales/use tax (positive \$45.5 million, 5.5%)
- Corporate tax (positive \$23.5 million, 16.2%)
- Other taxes (positive \$61.5 million, 41.2%)
- Other receipts (positive \$18.1 million, 11.2%)

The Tax Amnesty Program which accepted applications through October 31, has accounted for approximately \$26.4 million in total General Fund and non-General Fund gross receipts.

**Personal Income Tax** revenues received in November totaled \$252.1 million, an increase of \$30.6 million (13.8%) compared to November 2006. Of this amount, approximately \$2.9 million was due to tax amnesty payments in November for individual income tax and withholding tax.

The FY 2008 REC Income Tax estimate of \$3.262 billion represents a projected increase of 5.7% compared to actual FY 2007. Year-to-date, total Income Tax receipts increased 9.5%. By subcategory, withholding payments increased \$61.9 million (6.7%), estimate payments increased \$23.9 million (21.6%), and payments with returns increased \$15.9 million (61.2%). The following chart compares FY 2008 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2007.



**Sales/Use Tax** receipts received in November totaled \$250.3 million, an increase of \$40.2 million (19.1%) compared to November 2006. Tax amnesty sales/use tax receipts accounted for approximately \$7.5 million in November. In addition to the tax amnesty receipts, the reconciliation payment for local option sales taxes made in November 2007 was approximately \$14.0 million less than the reconciliation payment made in November 2006.

The REC estimate for FY 2008 Sales/Use Tax receipts is \$1.967 billion, an increase of 3.0% compared to actual FY 2007. Through November, FY 2008 Sales/Use Tax receipts have increased 5.5%. The preceding chart compares FY 2008 monthly Sales/Use Tax receipts with FY 2007.

**Corporate Tax** receipts received in November totaled \$31.0 million, a \$12.8 million increase (70.3%) compared to November 2006. Tax amnesty receipts accounted for approximately \$9.8 million of the November total.

The REC estimate for FY 2008 Corporate Tax revenue is \$436.0 million, an increase of 2.7% compared to actual FY 2007. Through November, FY 2008 Corporate Tax receipts have increased 16.2%.

**Other tax** receipts received in November totaled \$32.2 million, a \$17.0 million increase compared to November 2006. Cigarette and Tobacco taxes continue to contribute significantly to the increase due to mid-March 2007 Cigarette and Tobacco Tax rate changes. The REC estimate for other tax receipts is \$496.7 million, an increase of 36.5% compared to actual FY 2007. Through November, FY 2008 other tax receipts have increased 41.2%.

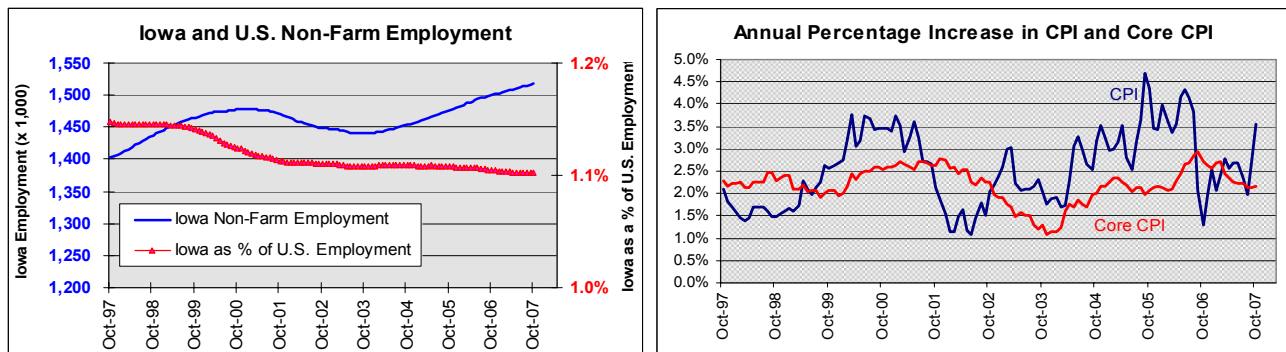
**Other receipts** (non-tax receipts) received in November totaled \$26.6 million, a \$5.0 million (23.1%) increase compared to November 2006. Liquor profits and Judicial Revenues accounted for much of the growth for the month.

The REC estimate for FY 2008 other receipt revenue is \$363.7 million, an increase of 2.8% compared to actual FY 2007. Through November, other receipts increased 11.1%.

### Status of the Economy

Iowa non-farm employment was reported at 1,543,300 for the month of October (not seasonally adjusted), 22,700 higher (1.5%) than October 2006.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was January 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,518,800, so annualized Iowa non-farm employment is 40,100 above its 2001 peak and 78,900 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since early 2002 and despite the past three months showing modest increases, the trend remains negative.



Consumer prices increased 0.2% during October (not seasonally adjusted), marking the second consecutive monthly increase since the August decrease. The Consumer Price Index (CPI-U) through October 2007 was 208.9 (1983/84=100). The year-over-year change of 3.5% in October was the highest since August 2006. The overall inflation rate has generally increased since mid-2004, when the price of oil started to rise significantly.

Core CPI, an inflation measure that excludes food and energy prices, increased 0.3% for October and the year-over-year change was 2.2%. The core inflation rate declined considerably from the early 1990's through March 2004. From March 2004 through September 2006, inflation as measured by core CPI more than doubled, peaking at 2.9%. For the two components excluded from the core rate, energy prices were up 14.5% year-over-year and food prices increased 4.4%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2007 vs. FY 2008 July 1 through November 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 07 Actual Compared to FY 08 REC Estimate		
	FY 2007	FY 2008	Year to Date % Change	November % Change	Actual FY 2007	Estimate FY 2008	Projected % Change
Personal Income Tax	\$ 1,066.7	\$ 1,168.4	9.5%	13.8%	\$ 3,085.9	\$ 3,262.2	5.7%
Sales/Use Tax	828.7	874.2	5.5%	19.1%	1,910.1	1,966.7	3.0%
Corporate Income Tax	144.8	168.3	16.2%	70.3%	424.6	436.0	2.7%
Inheritance Tax	31.1	31.6	1.6%	47.3%	76.0	83.6	10.0%
Insurance Premium Tax	60.3	52.5	-12.9%	-100.0%	105.2	125.6	19.4%
Cigarette Tax	37.3	99.8	167.6%	197.1%	122.0	223.1	82.9%
Tobacco Tax	4.2	9.1	116.7%	110.0%	12.1	18.6	53.7%
Beer Tax	6.4	6.5	1.6%	9.1%	14.3	14.6	2.1%
Franchise Tax	9.8	11.0	12.2%	-75.0%	33.3	30.2	-9.3%
Miscellaneous Tax	0.3	0.4	33.3%	100.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 2,189.5	\$ 2,421.9	10.6%	21.7%	\$ 5,784.5	\$ 6,161.6	6.5%
Institutional Payments	5.1	6.0	17.6%	62.5%	12.9	12.6	-2.3%
Liquor Profits	21.5	25.9	20.5%	31.0%	64.8	67.8	4.6%
Interest	12.4	12.9	4.0%	20.5%	28.7	20.0	-30.3%
Fees	29.5	29.2	-1.0%	-17.6%	84.7	73.7	-13.0%
Judicial Revenue	23.4	33.7	44.0%	55.6%	66.9	89.6	33.9%
Miscellaneous Receipts	11.4	13.7	20.2%	13.6%	35.7	40.0	12.0%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 2,352.7	\$ 2,603.5	10.7%	21.7%	\$ 6,138.2	\$ 6,525.3	6.3%